

**Introduced by Senator Hill**

January 15, 2014

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An act to add Sections 750 and 761.1 to the Public Utilities Code, relating to public utility services.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 900, as introduced, Hill. Public utilities: safety.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility and authorizes the commission to establish rules for all public utilities, subject to control by the Legislature. If the commission finds after a hearing that the rules, practices, equipment, appliances, facilities, or service of any public utility, or the methods of manufacture, distribution, transmission, storage, or supply employed by the public utility, are unjust, unreasonable, unsafe, improper, inadequate, or insufficient, the Public Utilities Act requires that the commission determine and, by order or rule, fix the rules, practices, equipment, appliances, facilities, service, or methods to be observed, furnished, constructed, enforced, or employed.

This bill would require the commission to develop safety risk management procedures for use in quasi-legislative proceedings to assist the commission in determining whether or not a proposed policy or rule change will affect safety. The bill would require that the safety risk management procedures ensure the sufficient development of the evidentiary record to support findings with regard to the incremental effect on safety of the proposed policy or rule changes made in quasi-legislative proceedings. The bill would require the commission to implement the safety risk management procedures by October 1,

2015. The bill would additionally require the commission to develop formal procedures to consider safety in a general rate case application by an electrical corporation or gas corporation, including a separate rate case application that considers a subset of the corporation's revenues, expenses, and investments in plant and equipment to establish an approved revenue requirement.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 750 is added to the Public Utilities Code,  
2     to read:  
3     750. The commission shall develop formal procedures to  
4     consider safety in a general rate case application by an electrical  
5     corporation or gas corporation, including a separate rate case  
6     application that considers a subset of the corporation's revenues,  
7     expenses, and investments in plant and equipment to establish an  
8     approved revenue requirement. The procedures shall include all  
9     of the following:  
10    (a) In advance of, or concurrent with, the scheduled submission  
11    of a rate case application by an electrical corporation or gas  
12    corporation, commission staff shall produce a report on the safety  
13    performance of that corporation in those areas in which the  
14    corporation's revenue requirement is under consideration. The  
15    report shall examine the safety performance of the electrical  
16    corporation or gas corporation over a time period no shorter than  
17    the period between the scheduled rate case applications. The report  
18    shall be entered into the record of the rate case proceeding.  
19    (b) Subsequent to the submission of a rate case application by  
20    an electrical corporation or gas corporation, commission staff units  
21    responsible for safety risk assessment shall evaluate the quality of  
22    the risk analysis of the applicant's incremental safety-related  
23    revenue requests, including the quality of the alternatives analysis.  
24    The report shall be entered into the record of the rate case  
25    proceeding.  
26    (c) The commission, in approving a decision determining the  
27    revenue requirements of an electrical corporation or a gas  
28    corporation in a rate case proceeding, shall make risk-informed

1 findings as to the safety benefits of incremental funding requests  
2 of safety-related proposed expenditures by the corporation.

3 (d) The commission, in approving a decision determining the  
4 revenue requirements of an electrical corporation or gas corporation  
5 in a rate case proceeding, shall order commission staff to monitor  
6 the safety performance of the corporation and to prepare a report  
7 on the safety performance of that corporation in advance of, or  
8 concurrent with, the next rate case application by the corporation.

9 SEC. 2. Section 761.1 is added to the Public Utilities Code, to  
10 read:

11 761.1. (a) The commission shall develop safety risk  
12 management procedures for use in quasi-legislative proceedings.  
13 The safety risk management procedures shall assist the commission  
14 in determining whether or not a proposed policy or rule change  
15 will affect safety. The safety risk management procedures shall  
16 ensure the sufficient development of the evidentiary record to  
17 support findings with regard to the incremental effect on safety of  
18 the proposed policy or rule changes made in quasi-legislative  
19 proceedings.

20 (b) The safety risk management procedures shall include all of  
21 the following:

22 (1) A description of a plant, equipment, or system proposed to  
23 be changed.

24 (2) Identification of the hazards that may be created, eliminated,  
25 or modified by the proposed policy or rule change.

26 (3) An analysis of risks using quantitative or qualitative  
27 estimates of the likelihood of hazards occurring in a plant,  
28 equipment, or system.

29 (4) The assessment of risks, which is a decision as to whether  
30 a risk is or is not acceptable to the commission.

31 (5) The inclusion of risk controls, which may be used to  
32 eliminate or mitigate the risks of a proposed policy or rule change.  
33 The controls may include any or all of the following:

34 (A) The redesign of the approach to achieve the policy goal that  
35 eliminates or reduces the safety risk.

36 (B) Incorporation of technological or other devices to reduce  
37 safety risks.

38 (C) The use of warning procedures or devices to alert an actor  
39 of a hazardous condition in order to give that actor time to avert  
40 the hazard.

- 1 (D) Development of procedures or training to manage the  
2 consequences of a hazardous condition.
- 3 (c) The safety risk management procedures shall ensure the  
4 opportunity for the commission to exercise future safety assurance  
5 activities, including monitoring, data tracking and analysis, audits,  
6 investigations, and enforcement action.
- 7 (d) If another state entity holds or shares regulatory authority  
8 to ensure safety, including the State Fire Marshal or the California  
9 Building Standards Commission, the commission shall consult  
10 with that state entity.
- 11 (e) The commission shall implement the safety risk management  
12 procedures by October 1, 2015.